



## DTS 2008 Mid-Year Rate Package

### Action Item

Recommendation: Approve Mid-Year Rate Package

*Fiscal impact: Projected revenue to DTS will increase by \$1,006,742 in FY 2008/2009 and \$2,717,357 in FY 2009/2010*

The Fiscal Year (FY) 2008/09 Mid-Year Rate Package continues the Department of Technology Services' (DTS) rate adjustments as a result of consolidating DTS service offerings. The first was announced on July 1, 2006, and DTS rates were reduced by approximately \$16.3 million. The second adjustment addressed additional service areas and provided further decreases to rates in the amount of annual cost savings to DTS customers of \$26.7 million. The third rate adjustment was for FY 2007/08, as well as FY 2008/09, and carried a neutral overall revenue change. The overall goals of the current rate adjustments are to:

1. Consolidate rates where there are common or similar services at both DTS data center facilities.
2. Eliminate rates, where possible, in an effort to simplify the cost-recovery model for DTS customers.
3. Bring each service to, or as close to, breakeven as possible.

The following is a summary of key changes with effective dates noted:

**COEMS Services:** DTS is proposing to adjust the rates for Customer Owned Equipment Managed Services (COEMS). The proposed change is designed to recover the actual raised floor costs and associated facilities costs. COEMS offers low cost alternatives and quality efficiencies for customers who do not need fully-managed services. Instead, customers receive a secure place to physically house their hardware. Raised floor space has become very expensive to design, build and maintain, and the full costs for DTS' provision of this service are not reflected in the current rate. The projected net impact of these changes will be an increase to DTS' COEMS revenue of 116% or an additional revenue collection of \$77,981 per month. The proposed effective date for this change is January 1, 2009.



**Print Services:** DTS is proposing to adjust the rates for print output services. Outsourced vendor contract costs are continuing to increase, while DTS has not adjusted the rates for print services since 1997. DTS proposes to increase the rates in “steps” to mitigate the impact to customers. Also, the current outsourced contract is for one-year and DTS is looking at other alternatives of electronic methods of data retention and recovery for customers. DTS proposes a 100% increase on January 1, 2009, and another 150% increase on July 1, 2009 to breakeven on this service.

**Enhancements to the Statewide Email Service Offering:** Effective January 1, 2009, DTS is proposing two areas of enhancements to the Statewide Email service offering, as follows:

- E-fax: Allows customers to receive faxed messages in their e-mail in-box. This will be billed as a direct pass-through, plus DTS support costs to customers who choose to use this service.
- Encryption: Encrypts the content of sent and received emails. This service will also be billed as a direct pass-through, plus DTS support costs to customers who choose to use this service.

When the above rate changes are implemented, DTS will recognize a projected revenue increase of \$1,006,742 in FY 2008/09 and \$2,717,357 in FY 2009/10.